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ABSTRACT

Throughout its history, the property tax has remained a reliable source of revenue for operating schools and providing other local government services. However, differences in property wealth of school districts have created disparities in dollars available to fund educational programs. This paper presents findings of a study that examined the differences in budgetary decision making in school districts of varying wealth and varying certainty of wealth. Three theories of decision making were used to set criteria for evaluating budget decisions--rational, incremental, and "garbage can." A 2 X 2 matrix that related wealth to certainty of that wealth was developed. Four Michigan school districts were selected, based on Michigan Department of Education data, each of which represented one of the cells in the matrix. The districts included: (1) a wealthy district with certainty of wealth; (2) a wealthy district with uncertainty of wealth; (3) a less wealthy district with certainty of wealth; and (4) a less wealthy district with uncertainty of wealth. Findings indicate that certainty of wealth had more impact on school-district budgetary decision making than the amount of wealth. In wealth-certain districts, decision makers used rational processes, linking organizational goals to decision making. The decision-making process in these districts was characterized by shared goals, open and inclusive process, clear lines of authority and expectations, and high levels of trust and satisfaction. Districts with uncertain wealth utilized garbage-can decision making. An implication is that policymakers must also consider the issue of revenue certainty. They should make funding and resource-allocation decisions well in advance of the new fiscal year. Two figures are included. (LMI)

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Budgetary Decision-Making: Is It Rational, Incremental or Garbage Can?

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Paper Presented at the American Association of School Administrators Conference, New Orleans, LA, February 11, 1995

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Budgetary Decision-Making:
Is It Rational, Incremental or Garbage Can?

Purpose of the Study

Throughout its history, the property tax has remained a good, reliable source of revenue for operating schools and providing other local government services. However, differences in property wealth of school districts has created disparities in dollars available to fund educational programs. While state aid formulas attempt to equalize dollars per pupil across districts, discrepancies still exist. In addition, enrollment shifts and growing taxpayer reluctance to approve millages have not only affected the number of dollars available but also the certainty of those dollars. State legislatures must approve state allocations to districts, and these bodies have often been late in making decisions and have also shifted more of the costs of education to the local district level. These legislative actions, which are uncontrollable at the local district level, have increased fiscal uncertainty.

Studies of organizations other than schools have shown that wealthier organizations use rational decision-making and budgeting. Organizations of increasing wealth use incremental decision-making and budgeting. Less wealthy organizations and those experiencing declining wealth use garbage can decision-making and budgeting. Studies further show that organizations with greater certainty of wealth use rational decision-making and budgeting. Uncertainty of wealth tends to produce garbage can decision-making and budgeting. The purpose of the study was to describe and explain the differences in budgetary decision-making in school districts of varying wealth and varying certainty of wealth. The

argument of this study was that varying wealth and varying certainty of wealth will result in different types of budgetary decision-making in school districts as was the case with other organizations that were studied.

Theoretical Framework

The theoretical framework for the study was derived from decision-making theory, budgeting theory, and research that indicates varying wealth and varying certainty of wealth affects organizational decision-making. Three decision-making theories - rational, incremental, and garbage can - were utilized in setting the criteria for evaluating budgeting decisions.

Rational decision-making is described in the works of March and Simon (1958), Simon (1957, 1976, 1982) and Cyert and March (1963). Rational decision-making stresses the simultaneous consideration of alternatives. Chaffee (1983) summarized the basic tenets of rational-decision making by describing it as a normative theory in which goals are known, needed information is obtainable, adequate resources are available, prediction is feasible, effects are judged according to criteria, and cause-effect relationships are known.

Simon (1957, 1976, 1982) explored the constraints or limitations of classic rationality. He recognized that the purpose of the organization limits the available choices for alternative resource use. Simon (1976) states that the organization achieves its objectives by integrating behavior through substantive and procedural planning. Substantive planning involves broad decisions about the values to which the organization will direct its activities, the methods which will be used to attain those values, and the knowledge, skills and information that are

needed to make particular decisions. Procedural planning involves designing and establishing the ways to direct attention, information and knowledge so that specific day-to-day decisions are made to conform with the substantive plan.

The intellectual origin of incremental decision-making is in the work of Lindblom (1959, 1979). In an article called "The Science of Muddling Through" (1959) Lindblom describes a decision-making process that relies on successive limited comparisons. Lindblom believes that rather than evaluate all possible outcomes, decision-makers in actuality list only those which occur to them, relying heavily on their own past experience. Decision-makers select the first alternative that seems minimally acceptable. Analysis is severely limited. Many possible outcomes and alternative potential policies or decisions are neglected, and affected values are ignored. Lindblom states that this process is typical in public organizations and bureaucracies because it fits the multiple pressure pattern. In public organizations it is difficult to identify whose values - citizens, Congressmen, public administrators - should be considered. If values can be agreed upon, they are difficult to rank. According to Wildavsky (1979), Boyd (1982), and Cibulka (1987) the incremental decision-making model is often referred to as a bureaucratic model of decision-making. Decisions are made to preserve the bureaucracy and to serve the collective self-interests of those involved. These self-interests may include maintaining power and prestige or striking bargains between opposing groups so that a work environment can be maintained.

Cohen, March, and Olsen (1972), after studying universities using a Fortran simulation of 324 situations, developed the theory of garbage can decision-making to describe what occurs in an organized anarchy. An organized anarchy has ambiguous goals; it "discovers

preferences through action more than it acts on the basis of preferences" (p 1). An organized anarchy has an unclear technology; its processes are not understood. The organization survives through the use of trial and error procedures and pragmatic inventions of necessity. There is fluid participation; the participants change frequently and vary in the amounts of time and effort they are willing to contribute to the organization. The results of the study show that decision-making generally does not resolve problems. The decision style more often selected is oversight or avoidance. Variables such as wealth and the effects of adversity were studied. The researchers found that less wealthy universities experience more conflict and take more time to make decisions. Fewer resources combined with greater and inconsistent demands, result in fewer problems being resolved. Decision-makers shift from one problem to another more frequently. Decisions take longer, are made over and over with different results, or are left unmade. Under the garbage can decision-making model, decisions are sometimes made too late to be of use or need to be re-examined due to changing circumstances.

While there is no normative or descriptive theory of rational budgeting, models of budgeting have been developed that meet the criteria for rational decision-making. According to Barber (1968) and Cibulka (1987), ideal budgeting in the educational environment should epitomize rational decision-making. Budgeting should involve surveying the goals of the community and ranking those goals in the order of importance. Cibulka states that plans for the future should tie budget setting to multi-year goals. The costs and benefits of alternative choices of programs should be made. Program results should be evaluated.

Candoli, Hack, Ray and Stoller (1984) and Greenhalgh (1984) view school site based

management as a way to bring rational budgeting to the school setting. Under this concept, all decisions that can reasonably be made at the individual school level are kept there. Policy and general regulations are made by the Board of Education. District wide goals and objectives for all students are adopted. Through decentralized decision-making, each building site decides how to achieve those goals and objectives for its students. The concept advocates the inclusion of a wide range of individuals from both the educational setting and the general community in the decision-making process. Under the process, each building is allocated a dollar amount to spend. It is then up to the persons involved within that building to decide how those dollars will be spent. Site-based budgeting is used to continually match student needs and available resources.

In approaching their task, budgeters using the incremental approach look at the budget in an historical light. Last year's budget forms the base for this year's considerations. According to Barber (1968) and Berry (1990), attention is restricted to only small segments of the whole. The budgeting tends to be incremental as there are only marginal changes from the previous year's budget. Wildavsky (1979) found that budgeting is fragmented as each department presents its requests without taking the whole budget into consideration. Often, line item budgets are presented, making it difficult to focus on programs but easy to compare one year to another. Problems often remain unsolved, sent to a special committee or simply go away over time. Budgeting is performed by considering requests sequentially rather than simultaneously.

The fragmentation inherent in incremental budgeting generally dictates line-item budget format be used. According to Hartman (1988) line item budgets are easily understood

and controlled. The objects of expenditure are the focus. However, there is no disaggregation of data, making it inappropriate for planning. Hanson (1979) disagrees with Hartman, however, stating that the line-item budget is not easily understood. Hanson states:

> Confusion over where the money goes in a school district can . . . retard the potential for turbulence. No better instrument could be devised for such purposes than the line-item budget, which is the type of budget system used in most school districts in the country. By viewing a line item budget, an outsider (and even most insiders) cannot determine, for example, how much a Spanish language program is costing as compared with mathematics, counselling, or industrial arts programs. Nor can an outsider determine the priorities established by the school district by studying the budget. (p. 171)

According to Hanson, educational goals are problematic because they tend of be non-operational. There is no way to measure goal achievement nor is there a way to determine the relationship between the educational process and goal achievement. Goals in education are also vulnerable to the desires of legislative bodies such as schools boards and to manipulation and lobbying by employees (Boyd, 1982). Hanson (1979) further states that the main "task of the administrator is to neutralize as many conflicting goals as possible [so that] school can proceed with a more or less coordinated plan" (p. 91). The organization solves problems by bargaining, blocking, compromising, and conceding. Boyd (1982) believes it is through this bargaining process that the needs of teachers and principals often take precedence over students. Incremental decision-making becomes the main tool of the administration because it takes small steps toward solutions to problems, minimizes conflict, and makes mistakes easier to correct.

Wildavsky (1975) found that rich and poor countries budget differently. These differences are due to size of the budget, wealth and predictability of that wealth. The size of a budget alters the relationships of budgetary items. A $10,000 purchase may be a large

expenditure in a budget of small size but the same purchase may be insignificant in a budget of larger size. In a school district, the decision to hire a teacher at $25,000 per year may be an insignificant increase in a large budget, but it may be a decision requiring much review and discussion in a small budget.

Wildavsky found that wealthy countries with certain resources engage in incremental budgeting; the base is not in dispute, no cuts need to be made, so concentration can be placed on the addition of large projects. The ability to keep budgetary commitments exists, so that once a budget is finalized, expenditures can be made. He found that poor countries with certain resources have few deci to make. They add a little in good times and take away a little in bad times. Wildavsky found that the condition of poor and uncertain is devastating. These countries make and re-make budgets depending on any new information. Decisions are delayed. Expenditures can not be made until the revenues have arrived with certainty.

Rubin (1980) studied budgeting processes at five universities which had experienced growth during the late 1960s and early 1970s but were then faced with the problem of reduced budgets. Rubin hypothesized that the quality of the budgeting decisions would depend on the completeness of relevant information, the quality of the information used, the number of times a decision is re-considered, the existence of explicitly formulated criteria for decision-making, the degree to which decisions are made with a view to maximizing goals, and the timeliness of the decisions. Rubin found that the garbage can model of decision-making was the norm. There was a lack of useful information. Long term planning became impossible. No effort was made to maximize goals. Decisions were made over and again using different assumptions. Often, budgets were not approved until the fiscal year was well

underway, and budgetary approval did not necessarily mean that expenditures would be made.

Uncertainty was a key factor in the chaotic decision-making process used to allocate resources at the universities Rubin (1980) studied. As a consequence of uncertainty, there was a reluctance to make commitments to expend funds. Many times when decisions were finally made, they were too late to be of use. Financial information became unreliable due to conservative estimates of resources and exaggerated estimates of expenditures. Financial information was further distorted by obscuring some expenditures, such as administrative costs, in order to protect them. Some line items were renamed and/or subsumed with other line items. The lack of resources intensified the inner politicking for those resources. Rubin further found that because there was no well-defined point of organizational efficiency, cuts may have been made that impaired the organization's functioning and adaptability. She found that the universities had less ability to be innovative, and it was less likely that they would utilize mechanisms to reduce their fiscal stress.

Chichura (1989) studied the budgeting processes of four local school districts and found evidence of garbage can decision-making. Chichura found that the source and the amount of available revenues had a direct impact on the decisions of the boards of education. Changes in property assessment practices placed constraints on the budgets. One of the boards needed to meet seven times before approving a budget which had greater expenditures than revenues. One board member resigned over the inability to resolve the problems. Chichura found that, although the board members expressed desires to act differently, circumstances did not allow them to do so.

Method of Data Collection

A two by two matrix was devised which related wealth to certainty of that wealth. Four districts were selected, each representing one of the cells of the matrix; i.e. one school district (A) was wealthy with certainty of wealth; another (B) was wealthy with uncertainty of wealth; a third (C) was less wealthy with certainty of wealth, and the fourth (D) was less wealthy with uncertainty of wealth. Wealth was determined by dividing the revenues available to the district through its local mill levy and its state membership aid by the number of pupils. Certainty of wealth was determined by the district's millage rate and its eligibility for state membership aid. Financial and millage information was obtained for 1991-92 from Report R2743 generated by the Michigan Department of Education on August 7, 1992. According to this report, the millage levied by Michigan school districts in 1991-92 ranged from 5.36 mills (in a district with only seven pupils) to 47.12 mills. The average millage rate was 33.05 mills. The combined local tax levy dollars and state aid membership allowance ranged from $1,889 per pupil to $12,475 per pupil (in a district with only four pupils). The average dollars per pupil generated through the local levy and state aid membership aid was $3,913. The district selected as wealthy and certain levied 35.22 mills, received no membership aid, and had $5,095 per pupil. The district selected as wealthy and uncertain levied 43 mills, received a very small amount of state membership aid, and had $4,365 per pupil. The less wealthy and certain district levied 34.13 mills, received 44% of revenues from state aid, and had $3,561 per pupil. The less wealthy and less certain district levied 26.12 mills, received about 24% of its revenues from state aid, and had $2,680 per pupil. Districts with approximately the same number of pupils were selected so that the number of

participants in each district were approximately the same.

Data were gathered through open-ended structured interviews with key participants in the budgetary process. Participants included the superintendent, the business official, central office administrators, building principals, a teacher that was active in the union, and one board of education member. Interview questions gathered information about revenue, process, expenditure, balance, and implementation - the five decision clusters Rubin (1990) identified as essential to the budgeting. The questions for each cluster were developed to elicit information which related to the six criteria used to assess decision-making: planning, linking goals to budgeting, evaluating past expenditures, reaching timely decisions, openness and inclusiveness, and vulnerability to the environment. The interview questions varied slightly depending on the assumed level of involvement in budgeting.

The highly structured interview questions were helpful in eliciting information as participants found it very difficult to discuss budgeting. For the most part, the questions asked for very specific information. The researcher made notes and used checklists, but always allowed the participant to expand on any question. The use of notes made it easy to verify statements that were made in other parts of the interview and to be certain that all participants answered the same questions. Near the end of the interview, questions became more general and asked about budgeting problems and what the participant would like to see changed about budgeting. Finally the participants were asked if there were any other comments they would like to make. The intent of the more open-ended questions was to elicit information about how decisions made outside the school district's control (the environment) affect the district's budgeting process.

The interview notes were transcribed and coded according to the research question(s) and the decision cluster (revenue, process, expenditure, balance, implementation) they addressed. Interviews were summarized and grouped according to personnel function. The text of the interviews and the summaries were read several times to find unexpected themes that emerged. Notes from board minutes were placed in the data base and coded. Audits and other archival records were used to prepare spreadsheets so that financial data could be analyzed and compared. Information from documents and notes from the observations were also summarized and used to provide triangulation. A budgeting model for each district was developed. Finally, the models were combined to present an across district comparison.

Findings

The findings revealed that all of the districts make budgeting decisions about revenue, process, expenditure, balance, and implementation. A budgeting model (Figure 1) can be found on page 12. All districts receive revenues from the same local, state and federal sources. The amount each receives from those sources varies according to its wealth. It was found that districts with less certainty of wealth receive additional large amounts of federal funds. The districts rely heavily on these funds which only adds to the uncertainty.

The findings revealed that within the process cluster, the criteria used for making budgeting decisions do not vary significantly. All districts rely on past history to project the future. Legal obligations which impact the budget do not vary significantly across districts. The legal obligation to bargain with employees for salaries and benefits accounts for approximately 80% of the budget in all of the districts. Wealthier districts are affected by tax

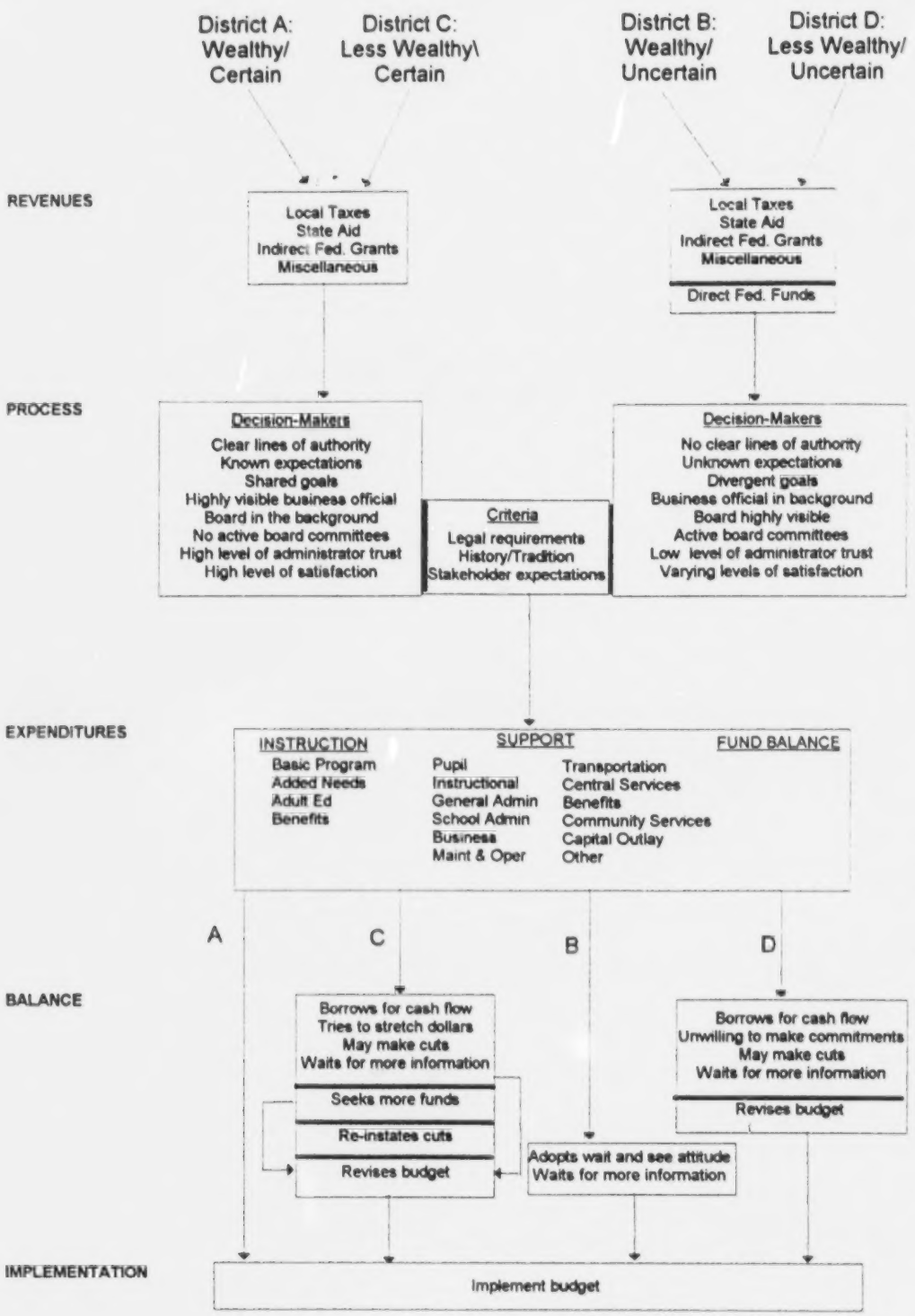

Figure 1 Budgeting Model

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abatement decisions. Stakeholder expectations are considered. In the less certain districts, members of the board of education are more likely to have their individual expectations funded. The districts with more certainty of wealth are more likely to evaluate past expenditures.

The findings revealed the most significant differences across the districts in the characteristics of the decision-makers. It was discovered that decision-makers in districts with more certainty of wealth have clear lines of authority, known expectations, and shared goals. The process is more open and more inclusive. The public is included in setting goals and in budgeting decisions. The boards of education meet as committees of the whole so that financial information is publicly shared with everyone. The findings revealed that the business official is highly visible in the process. It was also found that there is a high level of administrator trust and decision-maker satisfaction in districts with certainty of wealth.

The findings revealed that decision-makers in districts with less certainty of wealth do not have clear lines of authority or known expectations. The districts with less certainty of wealth do not have organizational goals; however, individual goals exist and influence the budgeting process. The process is less open and less inclusive. The findings showed no public involvement in the budgeting process. The boards of education in districts with less certainty of wealth are highly visible, and they have active committees. In both districts, the board finance committee helps to develop the budget and to make spending decisions. The finance committee is charged with the duty to report back to the board. The committee structure inhibits openness and leads to the conclusion that decisions are not reached in public. The findings also revealed that the business official is in the background. There is

less administrator trust and less decision-maker satisfaction in districts with uncertainty of wealth.

Findings reveal that there is little difference in the way school districts spend their money. State law stipulates the manner in which budgets must be adopted and final revenues and expenditures reported, so all of the budgets look alike. Approximately the same percentages are spent in each function and object category. Differences were discovered in the areas of transportation because one district does not bus any regular K-12 students, while another district is over 300 square miles and buses almost every student. Findings also revealed that those districts that receive more federal funds incur a greater percentage of expenditures in the added needs category. This finding would be in keeping with the intent of the indirect federal funding process.

Findings revealed differences in the balance cluster. The more wealthy and more certain district makes few decisions about balancing the budget. It implements its original budget. The less certain districts take more steps to implementation as they await more information about their revenues. The more wealthy but uncertain district usually just waits and doesn't fully implement. The districts with less wealth borrows to meet cash flow needs before they begin to implement the new budget. The less wealthy and less certain district is likely to make cuts and/or implement less of its adopted budget. It does not make too many commitments to spend early in the year, because it does not adopt its "real" budget until fall. The June financial situation dictates the steps in balance that the district with less wealth but more certainty of wealth takes. If the financial situation is good, the district just waits to fully implement until it knows for sure exactly what the revenues are. Its lack of wealth

keeps it from taking the chance of implementing too soon. If the financial outlook is not good in June, it makes cuts and/or asks for additional millage prior to fully implementing its budget.

Prior to beginning this study, the argument was made that school districts of varying wealth and varying certainty of wealth would follow the same decision-making patterns that other organizations of varying wealth and varying certainty of wealth follow. One of those conclusions was that wealthier organizations use rational decision-making and budgeting. Organizations of increasing wealth use incremental decision-making and budgeting. Less wealthy organizations and those experiencing declining wealth use garbage can decision-making and budgeting. All of the selected districts had experienced increasing wealth. Only school district D, the least wealthy and least certain district, was projecting a decline in wealth; however, the revenues are so uncertain that the district cannot predict when the revenue loss will occur.

The criteria which were used to assess decision-making in other organizations were used to develop six research questions to guide the study. Those research questions follow:

1. Are there differences in linking decisions to organizational goals in school districts of varying wealth and varying certainty of wealth?

The data showed differences in linking organizational goals to organizational decision-making. Only the school districts with certainty of wealth have board adopted goals that are assimilated throughout the organization. In both districts the goals are developed by a cross-section of the educational community. These goals are linked to budgeting in that they influence purchasing decisions. However, the districts rely on criteria other than goals, such

as past history and legal requirements, to develop a budget. One may reasonably argue that the districts with certainty of wealth lie somewhere between rational and incremental decision-making and budgeting.

The districts with uncertainty of wealth have divergent or ambiguous goals. Board members' individual goals particularly influence budgeting decisions. The less wealthy district with uncertain wealth has two different sets of goals, both of which were developed by the board of education. One set of goals is a compilation of individual goals, and they are contradictory. Both of these districts rely heavily on past history and legal requirements to develop the budget. The more wealthy but uncertain district is more able to overcome goal conflict because it has more dollars available to satisfy individual goals. The more wealthy but uncertain district is more likely to use incremental decision-making to avoid conflict. The less wealthy and uncertain district also engages in incremental decision-making; however, at the time of this study, divergent goals about process existed. Two sets of decision-makers existed, the administration and the board, with differing views about how the budget should be revised. This is garbage can decision-making.

2. Are there differences in planning in school districts of varying wealth and varying certainty of wealth?

The data showed that there are differences in planning. Only the more wealthy and more certain school district engages in long term planning. The plan was developed by a cross-section of the educational community. The plan sets forth the process for achieving the district goals. The data do not provide evidence that the plan is directly linked to budgeting. None of the other districts engage in formal planning activities, although the more

wealthy and less certain district (B) and the less wealthy and more certain district (C) are talking about it.

Different levels of planning for the budgeting process exist. The more wealthy and more certain district plans for staffing, enrollment changes, and capital outlay expenses. Both districts with certain revenues have time lines and procedures which are followed. This type of planning was not present in the districts with uncertain revenues. The data support the conclusion that the wealthier district engages in more planning and therefore more rational decision-making and budgeting. The other districts engage in incremental budgeting and decision-making. Planning is not essential in incremental decision-making and budgeting because only small changes occur in the status quo.

3. Are there differences in evaluating previous organizational decisions in school districts of varying wealth and varying certainty of wealth?

All of the districts used past history to project expenditures. However, there are some differences in evaluating previous decisions. In the districts with certainty of wealth, evaluation occurs at the building levels in terms of what is purchased. In these two districts, for example, the more traditional purchases of workbooks have been replaced by other types of materials that support a changing curriculum. The more wealthy and certain district used some cost-effectiveness evaluation in certain isolated areas.

The data showed that the most potential for evaluation was occurring in the less wealthy districts. The lack of wealth was forcing reductions, and programs and services were being reviewed. However, in the less wealthy and less certain district, the decision was made to implement across the board cuts. In the less wealthy and more certain district, the data

showed that in the past across the board cuts usually occurred.

The wealthier district evaluates more and is, therefore, more rational in its budgeting. The other districts engage in less evaluation and make small changes, such as across the board increases and cuts, and use incremental decision-making.

4 Are there differences in openness and inclusiveness in decision-making processes in school districts of varying wealth and varying certainty of wealth?

The wealthier and more certain district has a completely open and inclusive budgeting process. People all across the organization are involved in the decision-making. The entire budget is reviewed with the administrative staff and with the public and board. The process used in the more wealthy and certain district is indicative of rational decision-making. The less wealthy but certain district engages in incremental decision-making. The process in the less wealthy and certain district is relatively open and inclusive, but the entire budget is not reviewed with the administrative staff. Each administrator meets with the assistant superintendent to negotiate his or her budget. However, the public is included in budgeting decisions and receives budgeting information. The more wealthy but less certain district also engages in incremental decision-making. Its process, however, is less open and less inclusive. Lower level administrators are given allocations, but there is some evidence that administrators can negotiate for more. There is low public involvement but high board of education involvement. Budgeting decisions are sometimes reached to satisfy individual board members. The less wealthy and less certain district engages in garbage-can decision-making. The superintendent in the district with less wealth and less certainty of wealth had instituted new budgeting procedures a few weeks before the data were collected. The new

procedure was an attempt to involve more people in the decision-making and to make budgeting a bottom up process. However, data collected from a board meeting indicate that the board of education's actions are not consistent with the superintendent's plan. The public is not involved in decision-making. The board of education's active finance committee has a large role in making budgeting decisions. The discussion of issues occurs during committee meetings and not when the board meets as a whole. The board acts on the committees' recommendations with little if any public discussion. Data also indicate two different sets of decision-makers trying to resolve the same budgeting issue.

5. Are there differences in time usage in decision-making in school district of varying wealth and varying certainty of wealth?

The data show differences in time usage across the districts. The more wealthy and more certain district uses time in a rational manner. The more wealthy and more certain district has time lines and procedures that streamline the budgeting process. The budget is approved and implemented without need to re-consider decisions. The wealthier district with less certainty engages in incremental decision-making. Although the district does not have set time lines or set procedures for budgeting, the data show that the budget that is adopted will be implemented.

The less wealthy districts engage in garbage can decision-making on the criterion of time. Both districts adopt a budget in June with the understanding that a more accurate budget will be presented in the fall when state aid and enrollment is known. The less wealthy and more certain district adopts a budget with a few unknowns. Once more information is obtained, the budget is implemented. The less wealthy and less certain district operates

further into the garbage can. It rolls over the current budget with the understanding that it is not accurate. In the less wealthy and less certain district, two different sets of decision-makers were working to reduce expenditures in the same budget. Once information is known, and the budget is revised, there are still no guarantees of complete implementation as the board finance committee reviews many requests for expenditures.

6. Are there differences in the influence of the environment outside of the organization on the decision-making process in school districts of varying wealth and varying certainty of wealth?

The more wealthy and more certain district is least influenced by the environment. The more wealthy and more certain district has shown more of the characteristics of rational decision-making and budgeting than the other districts. This district has planned and set goals and has recognized the uncertainties that it cannot control. The district has been open and inclusive in its budgeting process. The district's wealth has allowed it to buffer itself from tax abatements and legislation that is designed to take from the rich and give to the poor.

The more wealthy but less certain district engages in a more incremental pattern of decision-making and budgeting. Its wealth, too, has provided a buffer from tax abatements and assessment problems. A legal decision has caused the district to develop a new program. Ironically, federal funds are not only providing partial financial support for the program but also are contributing to the district's less certainty of wealth.

The less wealthy but more certain district also shows an incremental pattern of decision-making and budgeting. This district was especially hard hit by the State Aid Act of 1992-93 which changed the membership formula so that prior year enrollment was used. As

a growth district, it lost revenues. The district had a fund balance which allowed it to maintain the status quo; however, cuts or additional millage are needed for the new fiscal year.

The less wealthy and less certain district has become the most vulnerable to the environment. A decision reached at the federal level of government has upset the status quo of the district. The predicted loss of about 20% of its revenues has put the district into a garbage-can pattern of decision-making and budgeting.

Figure 2, page 22, is a chart summarizing the conclusions to the six research questions. The left column of the chart lists the characteristics associated with rational, incremental, and garbage can decision-making. The chart clearly shows that district A, with its wealth and certainty of wealth, engages in rational decision-making. All of the districts engage in incremental decision-making to the extent that they use line item budgets, rely heavily on past history, and show little deviation from the status quo. The chart further shows that both district B and district C engage in incremental decision-making and also show characteristics of other types of decision-making. District B, with its revenue uncertainty, displays some of the characteristics of garbage can decision-making. It has no goals, changing decision-makers, and problems implementing decisions. District C, with its revenue certainty, displays many of the characteristics of rational decision-making. It does have shared goals, procedural planning, and some evaluation of decisions. District C's process is open and inclusive. The chart shows that district D engages in garbage can decision-making with a few characteristics of incremental decision-making.

Characteristic/District	A	B	C	D
RATIONAL				
Shared goals	X		X	
Goals linked to decisions	X		X	
Substantive planning	X			
Procedural planning	X		X	
Evaluation of decisions	X		X	
Open process	X		X	
Inclusive process	X		X	
Knowledge, skills, information	X		X	
Ease in implementation	X			
Less vulnerable to environment	X			
INCREMENTAL				
Reliance on past history	X	X	X	X
Line item budget	X	X	X	X
Little deviation from status quo	X	X	X	X
Across the board increases/cuts		X	X	X
Negotiation; striking bargains		X	X	
Decisions based on self-interest		X		X
Alternative decisions neglected		X		
Some vulnerability to environment		X	X	
GARBAGE CAN				
Divergent/Ambiguous goals		X		X
Lack of useful information		X		X
Different sets of decision-makers				X
Re-consideration of decisions			X	X
Problems implementing decisions		X		X
Trial and error procedures				X
Very vulnerable to environment				X

Legend:
X indicates that the data showed evidence of the existence of this characteristic.
District A - wealthy and certain
District B - wealthy and uncertain
District C - less wealthy and certain
District D - less wealthy and uncertain

Figure 2 Districts' Decision-Making Characteristics

The Conclusion

There is little evidence of variance in budgetary decision-making in districts of varying wealth. Budget implementation is most affected by a lack of wealth. Those districts with less wealth must borrow to meet cash flow needs. The district with less wealth but certainty of wealth is more likely to wait to fully implement the budget until it is absolutely certain of its revenues.

There is evidence of differences in budgetary decision-making in districts of varying certainty of wealth. The most significant differences occur in the process decision cluster. Those differences are in the organizational matters that affect the budgeting process and in the matters of decision-maker trust and satisfaction. The organizational matters in districts with certainty of wealth that affect budgeting are the presence of shared goals, the openness and inclusiveness of the process, the planning, the understanding of lines of authority and expectations. In addition, decision-makers in districts with certainty of wealth enjoy high levels of trust and high levels of satisfaction with the budgeting process.

The conclusion from the findings of this study is that certainty of wealth is more important to school district budgetary decision-making processes than is the amount of wealth. This conclusion is significant because it addresses many current issues to which administrators must respond. The study showed that the greatest evaluation of expenditures was occurring in the wealth certain districts as decision-makers selected materials consistent with their beliefs about proper curriculum materials to improve student achievement as reflected in their goals and objectives. If we are to believe that decisions are based on "what is good for kids," then

we must see evidence that these decisions are based on some criteria that link expenditures to goals and objectives. This type of evaluation occurs only in rational decision-making. A key concept in rational decision-making is the availability of knowledge, skills, and information which allow procedural planning to occur. Revenue uncertainty creates a vacuum in information, money, and strong leadership. The districts with uncertainty were not only lacking in information but also in people who could provide the information, skills, and strong leadership. This condition leads to garbage can decision-making. The wealthy but uncertain district had conflicting and uncertain information and weak leadership, but it had enough money to continue to make some decisions. The poor and uncertain district had nothing except conflicting, uncertain information and many people who thought they knew the answers. A goal of school reform is to empower teachers and other stakeholders to make decisions that speak to local concerns; this study suggests that wealth certain districts, regardless of the amount of that wealth, are closest to site based budgeting. The goal of school finance reform is to bring financial equity to school districts, yet this study suggests that wealth is not necessarily a prerequisite to sound budgetary decision-making. As lawmakers and policy makers grabble with decisions about how education will be financed and at what level, they must also consider the issue of revenue certainty. If school districts are to become increasingly dependent on state collected and distributed funds rather than local property taxes, it is important that state level decisions about the level of funding and distribution of those funds be made well in advance of the beginning of a new fiscal year. Without this information, school districts will be forced to operate in a vacuum. The vacuum results in garbage can decision-making and leads to confusion in leadership and distrust in

school district administrators. There is cause to fear that school districts, regardless of the level of funding, will operate more in the garbage can than at a more rational level if revenue uncertainty becomes the norm.

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